

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
SCHOOL OFFICIALS
JUNE 30, 2013

Board Members:

Bingo Kindt
Gilbert Mickelson
Jane Looyenga
Todd Wagner
Eric Stroeder

Superintendent:

Tim Frederick

Business Manager:

Kim Schneider

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6

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MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6

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CERTIFIED PUBLIC ACCOUNTANTS

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WITH OFFICES IN
LEMMON, SOUTH DAKOTA
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

School Board
Mobridge-Pollock School District No. 62-6
Mobridge, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mobridge-Pollock School District No. 62-6, South Dakota (School District), as of June 30, 2013, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2013-01 through 2013-04 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

School District's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Kahlman, Penick & Anderson, LLP

April 25, 2014

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

School Board
Mobridge-Pollock School District No. 62-6
Mobridge, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Mobridge-Pollock School District No. 62-6, South Dakota (School District), compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2013. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Mobridge-Pollock School District No. 62-6 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

April 25, 2014

Kohlm, Buehler & Anderson, LLP

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

PRIOR OTHER AUDIT FINDINGS:

2012-01

A material weakness was reported for a lack of segregation of duties for cash, revenues, receivables, inventories, payables, trust and agency, capital assets, and equity. This is undesirable from an internal control viewpoint, and could result in a loss of control over accounting transactions and errors not being found in a timely manner. This finding has not been corrected and is restated as current other audit finding 2013-01.

2012-02

No internal control system designed to provide for the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP). This comment has not been corrected and is restated as current other audit finding 2013-02.

2012-03

No internal control structure to provide for the recording of all necessary material adjustments. This comment has not been corrected and is restated as current other audit finding 2013-03.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS:

Financial Statements:

- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. Material weaknesses were disclosed by our audit of the financial statements. They are described in findings 2013-01 through 2013-04.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards:

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- f. The federal awards tested as major programs were:
 - a. Title I Grants to Local Educational Agencies #84.010
 - b. School Improvement Grants #84.377
 - c. Child Nutrition Cluster
 - i. National School Lunch Program (Commodities) #10.555
 - ii. National School Lunch Program #10.555
 - iii. School Breakfast Program #10.553
 - iv. Summer Food Service Program for Children #10.559
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- h. Mobridge-Pollock School District No. 62-6 did not qualify as a low-risk entity.

CURRENT FEDERAL AUDIT FINDINGS:

There are no written current federal compliance audit findings to report.

CURRENT OTHER AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2013-01

Criteria

Internal control can help the School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for cash, revenues, receivables, payables, inventories, trust and agency, capital assets, equity, expenditures and payroll, which could result in errors not being found in a timely manner.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013
(Continued)

Effect

The School District has a limited number of employees who prepare all records for cash, revenues, receivables, payables, inventories, trust and agency, capital assets, equity, expenditures and payroll. This is undesirable from an internal control viewpoint, and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Recommendation

We recommend the School Board take a more active role in their oversight of cash, revenues, expenditures, payroll, receivables, payables, inventories, trust and agency, capital assets, and equity.

Corrective Action Plan

The School District has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for cash, revenues, receivables, payables, inventories, trust and agency, capital assets, equity, expenditures and payroll and accepts the risks involved. The Board is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. The Board President, Bingo Kindt, is responsible for the corrective action plan for this finding.

2013-02

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Condition Found

The School District does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan

Both management and the School Board have been informed of this condition and are confident that the information is accurate and are willing to accept this risk. The Board President, Bingo Kindt, is responsible for the corrective action plan for this finding.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013
(Continued)

2013-03

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan

Both the management and the School Board accept the risks associated with this deficiency. The Board is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. The contact person for this finding is Bingo Kindt, Board President.

2013-04

Criteria

An organization's internal control structure should provide for the reconciliation of all bank accounts to the organization's records. The reconciliation process is critical to ensure the accuracy and completeness of the financial records as well as to prevent loss of resources.

Condition Found

The School District had not reconciled their pooled cash, scholarship, or Trust and Agency bank accounts to their records for several months. We made material adjustments to record transactions that were missing or recorded incorrectly in the School District's records.

Effect

This condition affects the School District's ability to record and report financial data consistent with the assertions of management in the financial statements.

Recommendation

We recommend the Business Manager reconcile all bank accounts on a timely basis. We also recommend that the Board take a more active role in the oversight of the reconciliation process.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013
(Continued)

Corrective Action Plan

The Business Manager will reconcile the bank accounts. Kim Schneider, Business Manager, is responsible for the corrective action plan for this finding.

Closing Conference

The contents of this report were discussed with Bingo Kindt, Board President, Eric Stroeder, Board Member, Kim Schneider, Business Manager, and Tim Frederick, Superintendent, on January 30, 2014.

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

WITH OFFICES IN
LEMMON, SOUTH DAKOTA
MILLER, SOUTH DAKOTA

School Board
Mobridge-Pollock School District No. 62-6
Mobridge, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mobridge-Pollock School District No. 62-6, South Dakota (School District), as of June 30, 2013, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mobridge-Pollock School District No. 62-6, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and the Schedule of Funding Progress on pages 41 through 44 and page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the combining nonmajor fund financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 25, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

Kohlm, Brian H. & Anderson, FLP

April 25, 2014

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
STATEMENT OF NET POSITION
JUNE 30, 2013

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 2,679,455	\$ 63,163	\$ 2,742,618
Investments	250,000	-	250,000
Taxes receivable	1,093,256	-	1,093,256
Inventories	-	18,481	18,481
Other assets	279,305	27,490	306,795
Restricted cash and cash equivalents	38,152	-	38,152
Capital Assets:			
Land, improvements and construction in progress	129,377	-	129,377
Other capital assets, net of depreciation	15,799,049	39,381	15,838,430
TOTAL ASSETS	\$ 20,268,594	\$ 148,515	\$ 20,417,109
LIABILITIES:			
Accounts payable	\$ 53,331	\$ 4,208	\$ 57,539
Other current liabilities	389,306	6,441	395,747
Deferred revenue	930,672	4,634	935,306
Noncurrent Liabilities:			
Due within one year	57,226	-	57,226
Due in more than one year	1,088,143	-	1,088,143
TOTAL LIABILITIES	2,518,678	15,283	2,533,961
NET POSITION:			
Net investment in capital assets	15,062,426	39,381	15,101,807
Restricted for:			
Capital outlay purposes	792,545	-	792,545
Special education purposes	294,090	-	294,090
Capital project purposes	206,839	-	206,839
Debt service purposes	21,681	-	21,681
Pension purposes	20,899	-	20,899
Pow wow purposes	1,836	-	1,836
Student incentive purposes	14,635	-	14,635
Unrestricted	1,334,965	93,851	1,428,816
TOTAL NET POSITION	17,749,916	133,232	17,883,148
TOTAL LIABILITIES AND NET POSITION	\$ 20,268,594	\$ 148,515	\$ 20,417,109

The notes to the financial statements are an integral part of this statement.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	\$ 3,288,610	\$ -	\$ 781,168	\$ -	\$ (2,507,442)	\$ -	\$ (2,507,442)
Support services	1,713,980	61,995	3,816	13,500	(1,634,669)	-	(1,634,669)
Community services	54,672	-	54,411	-	(261)	-	(261)
Nonprogrammed charges	15,377	-	-	-	(15,377)	-	(15,377)
Cocurricular activities	<u>279,157</u>	<u>39,740</u>	<u>-</u>	<u>15,400</u>	<u>(224,017)</u>	<u>-</u>	<u>(224,017)</u>
Total Governmental Activities	<u>5,351,796</u>	<u>101,735</u>	<u>839,395</u>	<u>28,900</u>	<u>(4,381,766)</u>	<u>-</u>	<u>(4,381,766)</u>
Business-Type Activities:							
Food service	<u>453,801</u>	<u>189,888</u>	<u>253,228</u>	<u>-</u>	<u>-</u>	<u>(10,685)</u>	<u>(10,685)</u>
Total Primary Government	<u>\$ 5,805,597</u>	<u>\$ 291,623</u>	<u>\$ 1,092,623</u>	<u>\$ 28,900</u>	<u>(4,381,766)</u>	<u>(10,685)</u>	<u>(4,392,451)</u>
General Revenues:							
Taxes:							
Property taxes					2,043,136	-	2,043,136
Utility taxes					159,834	-	159,834
Revenue from State Sources:							
State aid					2,431,408	-	2,431,408
Other					74,269	-	74,269
Revenue from Federal Sources					26,403	-	26,403
Unrestricted Investment Earnings					6,128	-	6,128
Other General Revenues					145,146	-	145,146
Transfers					<u>(25,000)</u>	<u>25,000</u>	<u>-</u>
Total General Revenues and Transfers					<u>4,861,324</u>	<u>25,000</u>	<u>4,886,324</u>
Change In Net Position					479,558	14,315	493,873
Net Position - Beginning					<u>17,270,358</u>	<u>118,917</u>	<u>17,389,275</u>
Net Position - Ending					<u>\$17,749,916</u>	<u>\$ 133,232</u>	<u>\$17,883,148</u>

The notes to the financial statements are an integral part of this statement.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2013

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	\$ 1,387,275	\$ 770,091	\$ 267,678	\$ 224,523	\$ 28,461	\$ 2,678,028
Investments	250,000	-	-	-	-	250,000
Taxes receivable - current	612,603	268,963	125,542	-	26,895	1,034,003
Taxes receivable - delinquent	38,475	13,258	6,196	-	1,324	59,253
Due from other funds	35,395	-	-	-	-	35,395
Due from federal government	210,766	-	50,828	-	-	261,594
Restricted cash and cash equivalents	16,471	-	-	-	21,681	38,152
TOTAL ASSETS	<u>\$ 2,550,985</u>	<u>\$ 1,052,312</u>	<u>\$ 450,244</u>	<u>\$ 224,523</u>	<u>\$ 78,361</u>	<u>\$ 4,356,425</u>
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable	\$ 34,036	\$ 17,526	\$ 1,769	\$ -	\$ -	\$ 53,331
Contracts payable	297,007	-	35,700	-	8,942	341,649
Due to other funds	-	-	-	17,684	-	17,684
Payroll deductions and withholdings and employer matching payable	39,422	-	5,618	-	2,617	47,657
Deferred revenue	589,616	255,499	119,262	-	25,546	989,923
TOTAL LIABILITIES	<u>960,081</u>	<u>273,025</u>	<u>162,349</u>	<u>17,684</u>	<u>37,105</u>	<u>1,450,244</u>
FUND BALANCES:						
Restricted for:						
Capital outlay purposes	-	779,287	-	-	-	779,287
Special education purposes	-	-	287,895	-	-	287,895
Capital project purposes	-	-	-	206,839	-	206,839
Debt service purposes	-	-	-	-	21,681	21,681
Pension purposes	-	-	-	-	19,575	19,575
Pow wow purposes	1,836	-	-	-	-	1,836
Student incentive purposes	14,635	-	-	-	-	14,635
Unassigned	1,574,433	-	-	-	-	1,574,433
TOTAL FUND BALANCES	<u>1,590,904</u>	<u>779,287</u>	<u>287,895</u>	<u>206,839</u>	<u>41,256</u>	<u>2,906,181</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,550,985</u>	<u>\$ 1,052,312</u>	<u>\$ 450,244</u>	<u>\$ 224,523</u>	<u>\$ 78,361</u>	<u>\$ 4,356,425</u>

The notes to the financial statements are an integral part of this statement.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total Fund Balances - Governmental Funds \$ 2,906,181

Amounts reported for governmental activities in the statement of net position
are different because:

Capital assets used in governmental activities are not current financial resources and
therefore are not reported in the funds. 15,928,426

Long-term liabilities are not due and payable in the current period and therefore are
not reported in the funds.

Early retirement benefits	\$ 173,283	
Qualified Zone Academy Bonds payable	866,000	
Other post-employment benefits	<u>106,086</u>	(1,145,369)

Assets, such as taxes receivable that are not available to pay for current period
expenditures, are deferred in the funds.

Taxes receivable	<u>\$ 59,251</u>	59,251
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Internal service funds are used by management to charge the costs of activities, such as
insurance, to individual funds. The assets and liabilities of internal service funds are
included in governmental activities in the statement of net position. 1,427

Net Position - Governmental Activities \$ 17,749,916

The notes to the financial statements are an integral part of this statement.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Projects Fund	Other Govern- mental Funds	Total Governmental Funds
REVENUES:						
Revenue from Local Sources:						
Taxes:						
Ad valorem taxes	\$ 1,187,941	\$518,219	\$242,133	\$ -	\$ 51,821	\$ 2,000,114
Prior years' ad valorem taxes	15,157	4,660	2,249	-	479	22,545
Tax deed revenue	949	-	-	-	-	949
Utility taxes	159,834	-	-	-	-	159,834
Penalties and interest on taxes	5,262	1,664	823	-	176	7,925
Earnings on investments and deposits	3,902	187	396	1,596	47	6,128
Cocurricular activities:						
Admissions	35,946	-	-	-	-	35,946
Other pupil activity income	3,794	-	-	-	-	3,794
Other revenue from local sources:						
Contributions and donations	28,100	800	-	-	-	28,900
Charges for services	56,585	-	5,410	-	-	61,995
Other	53,085	-	-	-	-	53,085
Revenue from Intermediate Sources:						
County sources:						
County apportionment	92,061	-	-	-	-	92,061
Revenue from State Sources:						
Grants-in-aid:						
Unrestricted grants-in-aid	2,302,924	-	-	-	-	2,302,924
Restricted grants-in-aid	9,625	-	201,581	-	-	211,206
Other state revenue	1,172	-	-	-	-	1,172
Revenue from Federal Sources:						
Grants-in-aid:						
Unrestricted grants-in-aid received from federal government through the state	26	-	-	-	-	26
Restricted grants-in-aid received directly from federal government	41,350	-	-	-	-	41,350
Restricted grants-in-aid received from federal government through the state	616,788	-	167,816	-	-	784,604
Johnson O'Malley funds	8,693	-	-	-	-	8,693
Other federal revenue	21,500	-	-	-	-	21,500
TOTAL REVENUE	4,644,694	525,530	620,408	1,596	52,523	5,844,751
EXPENDITURES:						
Instruction:						
Regular programs:						
Elementary	807,327	20,021	-	-	-	827,348
Middle/Junior high	524,970	14,101	-	-	-	539,071
High school	707,768	80,509	-	-	-	788,277
Other regular programs	54,473	-	-	-	-	54,473
Special programs:						
Programs for special education	-	-	455,095	-	-	455,095
Educationally deprived	457,150	-	-	-	-	457,150
Support Services:						
Pupils:						
Guidance	81,771	-	-	-	-	81,771
Health	2,642	-	-	-	-	2,642
Psychological	-	-	16,652	-	-	16,652
Speech pathology	-	-	118,876	-	-	118,876

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Student therapy services	-	-	27,031	-	-	27,031
Instructional staff:						
Improvement of instruction	16,760	-	-	-	-	16,760
Educational media	183,509	9,201	-	-	-	192,710
General administration:						
Board of education	32,418	-	-	-	-	32,418
Executive administration	130,704	-	-	-	-	130,704
School administration:						
Office of the principal	281,004	-	-	-	-	281,004
Other	8,361	-	-	-	-	8,361
Business:						
Fiscal services	110,828	116	-	-	-	110,944
Facilities acquisition and construction	-	-	-	22,166	-	22,166
Operation and maintenance of plant	485,493	34,662	-	-	-	520,155
Pupil transportation	27,496	-	-	-	-	27,496
Food services	12,872	-	-	-	-	12,872
Special education:						
Administrative costs	-	-	45,740	-	-	45,740
Community Services:						
Custody and care of children	54,672	-	-	-	-	54,672
Nonprogrammed Charges:						
Scholarships	300	-	-	-	-	300
Early retirement payments	16,148	-	-	-	59,899	76,047
Cocurricular Activities:						
Male activities	42,758	7,971	-	-	-	50,729
Female activities	31,004	-	-	-	-	31,004
Transportation	34,594	-	-	-	-	34,594
Combined activities	113,988	8,881	-	-	-	122,869
Capital Outlay	-	33,656	-	638,591	-	672,247
TOTAL EXPENDITURES	4,219,010	209,118	663,394	660,757	59,899	5,812,178
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	425,684	316,412	(42,986)	(659,161)	(7,376)	32,573
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	31,040	31,040
Transfers out	(34,390)	(21,650)	-	-	-	(56,040)
General long-term debt issued	-	-	-	866,000	-	866,000
Sale of surplus property	-	4,478	-	-	-	4,478
TOTAL OTHER FINANCING SOURCES (USES)	(34,390)	(17,172)	-	866,000	31,040	845,478
NET CHANGE IN FUND BALANCES	391,294	299,240	(42,986)	206,839	23,664	878,051
FUND BALANCE - BEGINNING	1,199,610	480,047	330,881	-	17,592	2,028,130
FUND BALANCE - ENDING	\$ 1,590,904	\$ 779,287	\$ 287,895	\$ 206,839	\$ 41,256	\$ 2,906,181

The notes to the financial statements are an integral part of this statement.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 878,051
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Amounts reported for governmental activities in the statement of activities
are different because:

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	672,247
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This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(251,716)
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In the statement of activities, losses \$23,610 on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds \$4,478 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	(28,087)
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The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements

Qualified Zone Academy Bonds	<u>\$ 866,000</u>	(866,000)
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In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".	11,603
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Governmental funds recognize expenditures for amounts of early retirement benefits actually paid to employees with current financial resources during the fiscal year. In the statement of activities, expenses for these benefits are recognized when the employees elect to retire early.

Early retirement	<u>\$ 60,970</u>	60,970
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The accrual of OPEB costs are not reflected in the governmental funds, but the statement of activities reflects the change in this liability from one year to the next.	<u>2,490</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 479,558</u></u>
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The notes to the financial statements are an integral part of this statement.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6**STATEMENT OF NET POSITION****PROPRIETARY FUNDS****JUNE 30, 2013**

	Enterprise Funds Food Service Fund	Internal Service Funds Unemployment Fund
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 63,163	\$ 1,427
Accounts receivable, net	12,199	-
Due from federal government	15,291	-
Inventory of supplies	2,432	-
Inventory of stores purchased for resale	13,905	-
Inventory of donated food	2,144	-
Total Current Assets	109,134	1,427
Capital Assets:		
Machinery and equipment	162,395	-
Less: accumulated depreciation	(123,014)	-
Total Noncurrent Assets	39,381	-
TOTAL ASSETS	<u>\$ 148,515</u>	<u>\$ 1,427</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable	\$ 4,208	\$ -
Contracts payable	5,359	-
Payroll deductions and withholdings and employer matching payable	1,082	-
Deferred revenue	4,634	-
Total Current Liabilities	15,283	-
NET POSITION:		
Net investment in capital assets	39,381	-
Unrestricted net position	93,851	1,427
TOTAL NET POSITION	133,232	1,427
TOTAL LIABILITIES AND NET POSITION	<u>\$ 148,515</u>	<u>\$ 1,427</u>

The notes to the financial statements are an integral part of this statement.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Enterprise Funds Food Service Fund	Internal Service Funds Unemployment Fund
OPERATING REVENUE:		
Food sales:		
Student	\$ 135,309	\$ -
Adult	19,840	-
Ala carte	29,460	-
Other charges for goods and services	<u>5,279</u>	<u>-</u>
TOTAL OPERATING REVENUE	<u>189,888</u>	<u>-</u>
OPERATING EXPENSES:		
Salaries	128,730	-
Employee benefits	72,229	-
Purchased services	4,694	-
Supplies	9,959	-
Cost of sales - purchased	208,189	-
Cost of sales - donated	24,791	-
Depreciation	<u>5,209</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>453,801</u>	<u>-</u>
OPERATING LOSS	<u>(263,913)</u>	<u>-</u>
NONOPERATING REVENUE:		
State grants	3,146	-
Federal grants	225,657	-
Donated food	<u>24,425</u>	<u>-</u>
TOTAL NONOPERATING REVENUE	<u>253,228</u>	<u>-</u>
LOSS BEFORE TRANSFERS	(10,685)	-
TRANSFERS IN	<u>25,000</u>	<u>-</u>
CHANGE IN NET POSITION	14,315	-
NET POSITION - BEGINNING	<u>118,917</u>	<u>1,427</u>
NET POSITION - ENDING	<u><u>\$ 133,232</u></u>	<u><u>\$ 1,427</u></u>

The notes to the financial statements are an integral part of this statement.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Enterprise Funds Food Service Fund	Internal Service Funds Unemployment Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 186,765	\$ -
Other operating cash receipts	5,279	-
Cash payments to employees for services	(201,211)	-
Cash payments to suppliers of goods or services	(226,113)	-
Net cash used by operating activities	(235,280)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from General Fund	25,000	-
Operating grants	220,183	-
Net cash provided by noncapital financing activities	245,183	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-	-
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,903	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	53,260	1,427
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 63,163</u>	<u>\$ 1,427</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</u>		
OPERATING LOSS	\$ (263,913)	\$ -
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Depreciation expense	5,209	-
Value of donated commodities used	24,791	-
Change in assets and liabilities:		
Accounts receivable	2,156	-
Inventories	(4,133)	-
Accounts payable	862	-
Contracts payable	(379)	-
Payroll deductions and withholdings and employer matching payable	127	-
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (235,280)</u>	<u>\$ -</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Value of commodities received	<u>\$ 24,425</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Private-Purpose Trust Funds	Agency Funds
ASSETS:		
Cash and cash equivalents	\$ 24,255	\$ 36,698
Investments	<u>23,500</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 47,755</u>	<u>\$ 36,698</u>
LIABILITIES:		
Amounts held for others	\$ -	\$ 22,337
Due to General Fund	<u>3,349</u>	<u>14,361</u>
TOTAL LIABILITIES	<u>3,349</u>	<u>36,698</u>
NET POSITION:		
Held in trust for scholarships	<u>44,406</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 47,755</u>	<u>\$ 36,698</u>

The notes to the financial statements are an integral part of this statement.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013

	Private-Purpose Trust Funds
ADDITIONS:	
Contributions and donations	\$ 2,000
Earnings on investments and deposits	<u>90</u>
TOTAL ADDITIONS	<u>2,090</u>
DEDUCTIONS:	
Trust deductions for scholarships	<u>3,350</u>
TOTAL DEDUCTIONS	<u>3,350</u>
CHANGE IN NET POSITION	(1,260)
NET POSITION - BEGINNING	<u>45,666</u>
NET POSITION - ENDING	<u><u>\$ 44,406</u></u>

The notes to the financial statements are an integral part of this statement.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Financial Reporting Entity:

The reporting entity of Mobridge-Pollock School District No. 62-6 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type, and

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - (Continued)

2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the School District financial reporting entity are described below within their respective fund types:

Governmental Funds:

General Fund - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Outlay Fund - A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is a major fund.

Special Education Fund - A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

Pension Fund - A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is not a major fund.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The Bond Redemption Fund - A fund established by SDCL 13-16-13 to account for the payment of interest and principal on all bonded indebtedness. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is not a major fund.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The Special Building Fund is the only capital projects fund maintained by the School District. This is a major fund.

Proprietary Funds:

Enterprise Funds - Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - (Continued)

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit - even if that government is not expected to make any payments - is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Food Service Fund - A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

Internal Service Funds - Internal service funds are used to report activities that provide goods or services to other funds, departments, or agencies of the School District, or to other governments, on a cost-reimbursement basis. Internal service funds are never considered to be major funds.

The Unemployment Fund is the only internal service fund maintained by the School District.

Fiduciary Funds:

Fiduciary funds consist of the following sub-categories and are never considered to be major funds.

Private-Purpose Trust Funds - Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains the following private-purpose trust fund:

The Scholarship fund is used for the purpose of providing scholarships to students.

Agency Funds - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets as an agent in a trustee capacity for various classes, clubs and so on.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - (Continued)

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

Basis of Accounting:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2013, are reimbursements for federal program expenditures.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary fund and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - (Continued)

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

The total June 30, 2013 balance of capital assets for governmental activities includes approximately 18 percent for which the costs were determined by estimates of the original costs. The total June 30, 2013 balance of capital assets for business-type activities includes approximately 12 percent for which the values were determined by estimates of the original costs. These estimated original costs were established by appraisals and deflated current replacement cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ -	N/A	N/A
Improvements	\$ 5,000	Straight-line	25 - 50 years
Buildings	\$ 5,000	Straight-line	25 - 150 years
Machinery and Equipment	\$ 5,000	Straight-line	5 - 75 years
Machinery and Equipment, Food Service	\$ 5,000	Straight-line	5 - 30 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - (Continued)

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of OPEB, a Qualified Zone Academy Bond issue, and early retirement benefits payable.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Program Revenues:

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

For the purpose of preparing the Statement of Cash Flows, the School District considers all highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents.

j. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as net position and is displayed in three components:

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - (Continued)

1. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - Consists of net position with constraints placed on its use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

k. Application of Net Position:

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

1. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School District classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board, Superintendent or Business Manager.

Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The School District does not have fund balance amounts in nonspendable form.

The School Board has not committed any portion of the School District's fund balance.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - (Continued)

The School District uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Property Taxes
Special Education Fund	Grants and Property Taxes

NOTE 2 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The School District follows the practice of aggregating the cash assets of the General Fund, Capital Outlay Fund, Special Education Fund, Pension Fund, Food Service Fund, Capital Projects Fund, and the Unemployment Fund to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk - State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

As of June 30, 2013, all of the School District's investments were in certificates of deposit.

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. Fifty percent of the School District's investments are in certificates of deposit at Campbell County Bank and fifty percent of the School District's investments are in certificates of deposit at Dacotah Bank.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 - (Continued)

Interest Rate Risk - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the fund making the investment.

NOTE 3 - RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Amount</u>	<u>Purpose</u>
\$ 1,836	Pow Wow
14,635	Student Incentive
<u>21,681</u>	Debt Service
<u>\$38,152</u>	

NOTE 4 - RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowances for estimated uncollectibles have been determined to be necessary.

NOTE 5 - INVENTORY

Inventory held for consumption is stated at cost. Inventory held for resale is stated at the lower of cost or market. The cost valuation method is first-in, first-out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the government-wide financial statements and in the enterprise fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

No material inventories were on hand as of June 30, 2013, in the governmental funds.

NOTE 6 - PROPERTY TAXES

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6**NOTES TO THE FINANCIAL STATEMENTS****JUNE 30, 2013**NOTE 6 - (Continued)

statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period".

NOTE 7 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2013, is as follows:

Primary Government

	Balance 7/1/2012	Increases	Decreases	Balance 6/30/2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 117,377	\$ -	\$ -	\$ 117,377
Construction in progress	-	12,000	-	12,000
Total, not being depreciated	117,377	12,000	-	129,377
Capital assets, being depreciated:				
Improvements	645,802	66,800	-	712,602
Buildings	15,491,645	587,373	-	16,079,018
Machinery and equipment	1,324,875	6,075	127,274	1,203,676
Total, being depreciated	17,462,322	660,248	127,274	17,995,296
Less accumulated depreciation for:				
Improvements	159,222	23,114	-	182,336
Buildings	1,078,590	165,351	-	1,243,941
Machinery and equipment	805,905	63,251	99,186	769,970
Total accumulated depreciation	2,043,717	251,716	99,186	2,196,247
Total capital assets, being depreciated, net	15,418,605	408,532	28,088	15,799,049
Governmental activity capital assets, net	<u>\$15,535,982</u>	<u>\$ 420,532</u>	<u>\$ 28,088</u>	<u>\$15,928,426</u>

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6**NOTES TO THE FINANCIAL STATEMENTS****JUNE 30, 2013****NOTE 7 - (Continued)**

Depreciation expense was charged to functions as follows:

Governmental Activities:

Instruction	\$ 162,475
Support Services	49,280
Cocurricular Activities	<u>39,961</u>

Total depreciation expense- governmental activities	<u>\$ 251,716</u>
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	Balance 7/1/2012	Increases	Decreases	Balance 6/30/2013
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	<u>\$ 162,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,395</u>
Total, being depreciated	<u>162,395</u>	<u>-</u>	<u>-</u>	<u>162,395</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>117,805</u>	<u>5,209</u>	<u>-</u>	<u>123,014</u>
Total accumulated depreciation	<u>117,805</u>	<u>5,209</u>	<u>-</u>	<u>123,014</u>
Total capital assets, being depreciated, net	<u>44,590</u>	<u>(5,209)</u>	<u>-</u>	<u>39,381</u>
Business-type activity capital assets, net	<u>\$ 44,590</u>	<u>\$ (5,209)</u>	<u>\$ -</u>	<u>\$ 39,381</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Food Service	<u>\$ 5,209</u>
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Construction work in progress at June 30, 2013, is composed of the following:

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 - (Continued)

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended Thru 6/30/2013</u>	<u>Committed</u>	<u>Required Future Financing</u>
Freeman Davis Drop Off Area	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 8 - RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2013, were as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay Purposes	Law	\$ 792,545
Special Education Purposes	Law	294,090
Capital Project Purposes	Law	206,839
Other Purposes		
Debt Service Purposes	Debt Covenants	21,681
Pension Purposes	Law	20,899
Pow Wow	Donor	1,836
Student Incentives	Donor	<u>14,635</u>
Total Restricted Net Position		<u>\$ 1,352,525</u>

NOTE 9 - LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2013, is as follows:

PRIMARY GOVERNMENT

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Qualified Zone Academy Bonds	\$ -	\$ 866,000	\$ -	\$ 866,000	\$ -
Early Retirement Payable	<u>234,253</u>	<u>15,077</u>	<u>76,047</u>	<u>173,283</u>	<u>57,226</u>
Total Long-Term Liabilities	<u>\$ 234,253</u>	<u>\$ 881,077</u>	<u>\$ 76,047</u>	<u>\$ 1,039,283</u>	<u>\$ 57,226</u>

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9 - (Continued)

Liabilities payable at June 30, 2013, are comprised of the following:

PRIMARY GOVERNMENT

Governmental Activities:

Early Retirement Payable:

Payable from the Pension Fund	<u>\$ 173,283</u>
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Qualified Zone Academy Bonds Payable:

Payable from the Debt Service Fund	<u>\$ 866,000</u>
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The annual debt service requirements to maturity for all debt outstanding as of June 30, 2013, are as follows:

Annual Requirements to Maturity for Long-Term Debt
June 30, 2013

Year Ending June 30,	Early Retirement Benefits Payable	Qualified Zone Academy Bonds
<u> </u>	<u> </u>	<u> </u>
2014	\$ 57,226	\$ -
2015	40,647	-
2016	25,672	-
2017	23,532	-
2018	18,184	-
2019 - 2021	8,022	-
2032	<u>-</u>	<u>866,000</u>
 TOTALS	 <u>\$ 173,283</u>	 <u>\$ 866,000</u>

The amounts for Early Retirement Benefits payable are calculated based upon undiscounted cash flows at 20% of the current base salary.

Qualified Zone Academy bonds are term bonds in which the School District makes annual deposits to a money market account at Dacotah Bank until the final term date at which time the entire liability becomes due.

NOTE 10 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2013, were as follows:

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10 - (Continued)

	Transfers to:		
	Food Service Fund	Bond Redemption Fund	Pension Fund
<u>Transfers from:</u>			
Major Funds:			
General Fund	\$ 25,000	\$ -	\$ 9,390
Capital Outlay Fund	-	21,650	-
TOTALS	<u>\$ 25,000</u>	<u>\$ 21,650</u>	<u>\$ 9,390</u>

The purpose of the interfund transfers was to transfer federal monies from the General Fund to the Food Service Fund, to transfer the debt service payment from the Capital Outlay fund to the Bond Redemption Fund, and to move monies to the Pension fund.

NOTE 11 - INDIVIDUAL INTERFUND BALANCES AND TRANSACTIONS

Interfund receivable and payable balances at June 30, 2013, were:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payables</u>
General Fund	\$ 35,395	\$ -
Scholarship Fund	-	3,350
Trust & Agency Fund	-	14,361
Capital Projects Fund	-	17,684
TOTALS	<u>\$ 35,395</u>	<u>\$ 35,395</u>

NOTE 12 - OPERATING LEASES

The School District currently leases a copier from Marco. The following are the minimum payments for existing operating leases:

<u>Year</u>	<u>General Fund</u>
2014	\$4,335
2015	\$4,335
2016	\$4,335
2017	\$4,335
2018	\$1,445

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 13 - RETIREMENT PLAN

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota 57501-1098 or by calling (605)773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2013, 2012 and 2011, were \$185,297, \$178,642, and \$189,416 respectively, equal to the required contributions each year.

NOTE 14 - SPECIAL TERMINATION BENEFITS

The School maintains an early retirement program. Eligible employees at least 55 years of age with 15 years of service to the School District may elect early retirement benefits. The payment will be 20% of the current year's negotiated base salary until reaching the age of 62. For all employees beginning early retirement after July 1, 2008, benefits will be extended to age 65. As of June 30, 2013, the School was paying benefits to ten qualified individuals.

NOTE 15 - POSTEMPLOYMENT HEALTHCARE PLAN

Sanford Health Plan is a single-employer defined benefit healthcare plan administered by the Mobridge-Pollock School District. The Sanford Health Plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16. Benefit provisions were established and may be amended during the negotiated agreement process between district certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

The contribution requirements of plan members and the School District are established and may be amended during the negotiated agreement process between district certified staff and the governing board. A teacher or administrator, who retires from the District on or after the age of 55 and with at least 15 years of consecutive service with the District, may be eligible for retiree health insurance coverage. Coverage ceases when the retiree attains the age of 65. The retiree is responsible for 100% of the full active premium rates for either single or family coverage. (The pay-as-you-go basis).

The entity's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the financial components of the plan:

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6**NOTES TO THE FINANCIAL STATEMENTS****JUNE 30, 2013**

NOTE 15 - (Continued)

Annual Required Contribution (ARC)	\$ 53,514
Interest on net OPEB obligation	3,529
Adjustment to annual required contribution	<u>(5,540)</u>
Annual OPEB Cost	51,503
Contributions made	<u>(53,993)</u>
Decrease in net OPEB obligation	(2,490)
Net OPEB obligation - beginning of year	<u>108,576</u>
Net OPEB obligation - end of year	<u>\$ 106,086</u>

The entity's annual OPEB cost data and net OPEB obligation was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 88,110	50.1%	\$ 153,906
2012	\$ 50,509	102.7%	\$ 108,576
2013	\$ 51,503	104.8%	\$ 106,086

As of June 30, 2012, the most recent actuarial valuation date, the plan's statistics were as follows:

Actuarial Accrued Liability	\$445,956
Actuarial Value of Benefit Assets	-
Unfunded Actuarial Accrued Liability	\$445,956
Funded Ratio	0.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 15 - (Continued)

In the current year actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.25% rate of return and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5.1 percent after 45 years. Both rates include a 2 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013, was 30 years.

NOTE 16 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2013, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members.

The School District does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workers' Compensation:

The School District purchases liability insurance for workers compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended June 30, 2013, no claims were filed for unemployment benefits. At June 30, 2013, no claims had been filed or were outstanding for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 17 - LITIGATION

At June 30, 2013, the School District was not involved in any litigation.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 18 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through April 25, 2014, the date on which the financial statements were available to be issued. Management has determined there are none.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,124,346	\$ 1,124,346	\$ 1,187,941	\$ 63,595
Prior years' ad valorem taxes	-	-	15,157	15,157
Tax deed revenue	-	-	949	949
Utility taxes	121,455	121,455	159,834	38,379
Penalties and interest on taxes	4,782	4,782	5,262	480
Earnings on investments and deposits	9,500	9,500	3,902	(5,598)
Cocurricular activities:				
Admissions	31,000	31,000	35,946	4,946
Other pupil activity income	3,500	3,500	3,794	294
Other revenue from local sources:				
Rentals	600	600	-	(600)
Contributions and donations	-	-	28,100	28,100
Charges for services	35,000	35,000	56,585	21,585
Other	48,000	48,000	53,085	5,085
Revenue from Intermediate Sources:				
County sources:				
County apportionment	85,000	85,000	92,061	7,061
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	2,241,493	2,241,493	2,302,924	61,431
Restricted grants-in-aid	-	-	9,625	9,625
Other state revenue	-	-	1,172	1,172
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received from federal government through the state	-	-	26	26
Restricted grants-in-aid received directly from federal government	39,157	39,157	41,350	2,193
Restricted grants-in-aid received from federal government through the state	607,538	607,538	616,788	9,250
Johnson O'Malley funds	7,773	7,773	8,693	920
Other federal revenue	-	-	21,500	21,500
TOTAL REVENUE	4,359,144	4,359,144	4,644,694	285,550
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	1,141,367	1,141,367	807,327	334,040
Middle/Junior high	538,507	538,507	524,970	13,537
High school	744,808	744,808	707,768	37,040
Other regular programs	49,196	49,196	54,473	(5,277)
Special programs:				
Educationally deprived	-	-	457,150	(457,150)
Support Services:				
Pupils:				
Guidance	81,289	81,289	81,771	(482)
Health	3,500	3,500	2,642	858

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Instructional staff:				
Improvement of instruction	52,026	52,026	16,760	35,266
Educational media	194,602	194,602	183,509	11,093
General administration:				
Board of education	46,167	46,167	32,418	13,749
Executive administration	128,153	128,153	130,704	(2,551)
School administration:				
Office of the principal	317,419	317,419	281,004	36,415
Other	2,000	2,000	8,361	(6,361)
Business:				
Fiscal services	118,074	118,074	110,828	7,246
Operation and maintenance of plant	482,766	482,766	485,493	(2,727)
Pupil transportation	23,342	23,342	27,496	(4,154)
Food services	20,813	20,813	12,872	7,941
Community Services:				
Custody and care of children	-	-	54,672	(54,672)
Nonprogrammed Charges:				
Scholarships	-	-	300	(300)
Early retirement payments	15,000	15,000	16,148	(1,148)
Cocurricular Activities:				
Male activities	53,397	53,397	42,758	10,639
Female activities	38,870	38,870	31,004	7,866
Transportation	51,111	51,111	34,594	16,517
Combined activities	125,446	125,446	113,988	11,458
Contingencies	15,000	15,000		
Amount transferred		-		15,000
TOTAL EXPENDITURES	<u>4,242,853</u>	<u>4,242,853</u>	<u>4,219,010</u>	<u>23,843</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>116,291</u>	<u>116,291</u>	<u>425,684</u>	<u>309,393</u>
OTHER FINANCING USES:				
Transfers out	<u>(34,390)</u>	<u>(34,390)</u>	<u>(34,390)</u>	
TOTAL OTHER FINANCING USES	<u>(34,390)</u>	<u>(34,390)</u>	<u>(34,390)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	81,901	81,901	391,294	309,393
FUND BALANCE - BEGINNING	<u>1,199,610</u>	<u>1,199,610</u>	<u>1,199,610</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,281,511</u>	<u>\$ 1,281,511</u>	<u>\$ 1,590,904</u>	<u>\$ 309,393</u>

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAPITAL OUTLAY FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 488,954	\$ 488,954	\$ 518,219	\$ 29,265
Prior years' ad valorem taxes	-	-	4,660	4,660
Penalties and interest on taxes	-	-	1,664	1,664
Earnings on investments and deposits	3,000	3,000	187	(2,813)
Other revenue from local sources:				
Contributions and donations	-	-	800	800
TOTAL REVENUE	491,954	491,954	525,530	33,576
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	2,500	2,500	20,021	(17,521)
Middle/Junior high	2,500	2,500	14,101	(11,601)
High school	50,000	50,000	80,509	(30,509)
Support Services:				
Instructional staff:				
Educational media	96,000	96,000	15,275	80,725
Business:				
Fiscal services	2,000	2,000	116	1,884
Operation and maintenance of plant	181,332	181,332	62,244	119,088
Cocurricular Activities:				
Male activities	5,000	5,000	7,971	(2,971)
Female activities	5,000	5,000	-	5,000
Combined activities	20,000	20,000	8,881	11,119
TOTAL EXPENDITURES	364,332	364,332	209,118	155,214
EXCESS OF REVENUE OVER EXPENDITURES	127,622	127,622	316,412	188,790
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(21,650)	(21,650)
Sale of surplus property	-	-	4,478	4,478
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(17,172)	(17,172)
NET CHANGE IN FUND BALANCES	127,622	127,622	299,240	171,618
FUND BALANCE - BEGINNING	480,047	480,047	480,047	-
FUND BALANCE - ENDING	\$ 607,669	\$ 607,669	\$ 779,287	\$ 171,618

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 228,112	\$ 228,112	\$ 242,133	\$ 14,021
Prior years' ad valorem taxes	-	-	2,249	2,249
Penalties and interest on taxes	-	-	823	823
Earnings on investments and deposits	1,500	1,500	396	(1,104)
Other revenue from local sources:				
Charges for services	-	-	5,410	5,410
Revenue from State Sources:				
Grants-in-aid:				
Restricted grants-in-aid	325,334	325,334	201,581	(123,753)
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	193,816	193,816	167,816	(26,000)
TOTAL REVENUE	748,762	748,762	620,408	(128,354)
EXPENDITURES:				
Instruction:				
Special programs:				
Programs for special education	435,288	652,089	455,095	196,994
Support Services:				
Pupils:				
Psychological	15,000	15,000	16,652	(1,652)
Speech pathology	130,847	130,847	118,876	11,971
Student therapy services	27,500	27,500	27,031	469
Special education:				
Administrative costs	48,578	48,578	45,740	2,838
Transportation costs	1,000	1,000	-	1,000
TOTAL EXPENDITURES	658,213	875,014	663,394	211,620
NET CHANGE IN FUND BALANCES	90,549	(126,252)	(42,986)	83,266
FUND BALANCE - BEGINNING	330,881	330,881	330,881	-
FUND BALANCE - ENDING	\$ 421,430	\$ 204,629	\$ 287,895	\$ 83,266

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR
EACH MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
JUNE 30, 2013

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

The School District followed these procedures in establishing the budgetary data reflected in the schedules:

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
11. Budgets for the General Fund and each major Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2 - USGAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

SUPPLEMENTARY INFORMATION

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (Unit Credit)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2010	-	\$ 545,474	\$ 545,474	0%	\$ 2,652,575	20.56%
June 30, 2011	-	\$ 535,175	\$ 535,175	0%	\$ 2,616,473	20.45%
June 30, 2012	-	\$ 445,956	\$ 445,956	0%	\$ 2,422,513	18.41%

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Pension Fund	Bond Redemption Fund	Total Nonmajor Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 28,461	\$ -	\$ 28,461
Taxes receivable - current	26,895	-	26,895
Taxes receivable - delinquent	1,324	-	1,324
Restricted cash	-	21,681	21,681
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 56,680</u>	<u>\$ 21,681</u>	<u>\$ 78,361</u>
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Contracts payable	\$ 8,942	\$ -	\$ 8,942
Payroll deductions and withholdings and employer matching payable	2,617	-	2,617
Deferred revenue	25,546	-	25,546
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>37,105</u>	<u>-</u>	<u>37,105</u>
FUND BALANCES:			
Restricted for:			
Debt service purposes	-	21,681	21,681
Pension purposes	19,575	-	19,575
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>19,575</u>	<u>21,681</u>	<u>41,256</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 56,680</u>	<u>\$ 21,681</u>	<u>\$ 78,361</u>

The notes to the financial statements are an integral part of this statement.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Pension Fund	Bond Redemption Fund	Total Nonmajor Governmental Funds
REVENUES:			
Revenue from Local Sources:			
Taxes:			
Ad valorem taxes	\$ 51,821	\$ -	\$ 51,821
Prior years' ad valorem taxes	479	-	479
Penalties and interest on taxes	176	-	176
Earnings on investments and deposits	16	31	47
TOTAL REVENUE	52,492	31	52,523
EXPENDITURES:			
Nonprogrammed Charges:			
Early retirement payments	59,899	-	59,899
TOTAL EXPENDITURES	59,899	-	59,899
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(7,407)	31	(7,376)
OTHER FINANCING SOURCES :			
Transfers in	9,390	21,650	31,040
TOTAL OTHER FINANCING SOURCES	9,390	21,650	31,040
NET CHANGE IN FUND BALANCES	1,983	21,681	23,664
FUND BALANCE - BEGINNING	17,592	-	17,592
FUND BALANCE - ENDING	<u>\$ 19,575</u>	<u>\$ 21,681</u>	<u>\$ 41,256</u>

The notes to the financial statements are an integral part of this statement.

MOBRIDGE-POLLOCK SCHOOL DISTRICT NO. 62-6
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Expenditures 2013
U.S. DEPARTMENT OF AGRICULTURE:		
Pass-through the S.D. Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program (Note 3)	10.555	\$ 24,791
Cash Assistance:		
School Breakfast Program (Note 2 and 3)	10.553	45,092
National School Lunch Program (Note 2 and 3)	10.555	155,402
Summer Food Service Program for Children (Note 3)	10.559	25,165
Fresh Fruit and Vegetable Program	10.582	<u>12,872</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>263,322</u>
U.S. DEPARTMENT OF THE INTERIOR:		
Direct Federal Funding:		
Indian Education - Assistance to Schools (Note 2)	15.130	8,693
Pass-through the S.D. Department of Education:		
Distribution of Receipts to State and Local Governments (Note 2)	15.227	<u>26</u>
TOTAL U.S. DEPARTMENT OF THE INTERIOR		<u>8,719</u>
U.S. DEPARTMENT OF EDUCATION:		
Direct Federal Funding:		
Indian Education - Grants to Local Educational Agencies	84.060	41,352
Pass-through the S.D. Department of Education:		
Title I, Part A Cluster:		
Title I Grants to Local Educational Agencies (Note 3)	84.010	205,162
Special Education Cluster:		
Special Education - Grants to States (Note 2)	84.027	160,928
Special Education - Preschool Grants	84.173	6,888
School Improvement Grants Cluster:		
School Improvement Grants (Note 3)	84.377	248,169
Twenty-First Century Community Learning Centers	84.287	54,411
Rural Education	84.358	21,758
Improving Teacher Quality State Grants	84.367	73,087
College Access Challenge Grant Program	84.378	<u>3,816</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>815,571</u>
GRAND TOTAL		<u>\$ 1,087,612</u>

NOTE 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the full accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

NOTE 3: This represents a major federal financial assistance program.